

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

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E.O. 11652: GDS

TAGS: ECON, EINV, TH

SUBJECT: BUSINESS ANXIETIES

REF: A. BANGKOK 9890; B. BANGKOK 9932

1. CONCERN REGARDING THE FUTURE BUSINESS AND INVESTMENT OUTLOOK IN THAILAND IS ALSO BEING EXPRESSED BY BUSINESSMEN TO DEPARTMENT OFFICERS. WE HAVE HAD SEVERAL INQUIRIES AS TO POSSIBLE EVACUATION PROCEDURES (FIRESTONE, CONTINENTAL BANK) IN THE EVENT THE SITUATION IN THAILAND DETERIORATES. OUR RESPONSE HAS BEEN THAT THAILAND WAS NOT COMPARABLE TO THE FORMER SITUATION IN INDOCHINA AND THAT PROSPECTS MAY CALL FOR CAUTION BUT NOT ALARM. COMPANIES HAVE BEEN ADVISED, HOWEVER, TO ENSURE THAT THEIR PERSONNEL ARE CONFIDENTIAL

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REGISTERED WITH THE EMBASSY.

2. SOMEWHAT MORE DISCONCERTING THAN THE POSSIBLY JUSTIFIED FEARS OF INVESTORS HAVE BEEN TELEPHONE CALLS BY EXPORTERS EXPRESSING SOME RELUCTANCE TO ENTER INTO LONG TERM EXPORT AGREEMENTS (COLLINS RADIO-MICROWAVE EQUIPMENT; CHAMBER OF COMMERCE OF SEATTLE FOR LOCAL EXPORTERS). AGAIN WE HAVE ATTEMPTED TO ASSURE THEM THAT NORMAL COMMERCIAL RELATIONS SHOULD BE CONTINUED, NOTING AS AN INCENTIVE THAILAND'S STRONG BALANCE OF PAYMENTS AND RESERVE POSITION.

3. OPIC IS ALSO HAVING DOUBTS AS TO THE FUTURE OF THAILAND, AND REASSESSING RISK. BECAUSE OF THE VERY LONG TERM NATURE OF OPIC INSURANCE CONTRACTS (20 YEARS), THERE IS A GROWING HESITATION TO WRITE NEW CONTRACTS IN THE LIGHT OF EVENTS IN INDOCHINA, THE DETERIORATING INVESTMENT CLIMATE, AND THE LACK OF RTG SUPPORT FOR FOREIGN INVESTORS EVIDENCED BY THE TEMCO AFFAIR. IN RESPONSE TO A QUERY BY AN OPIC OFFICIAL AS TO ANY POSITIVE ASPECTS OF THE THAI INVESTMENT SCENE, WE WERE ONLY ABLE TO POINT TO A RECENT ANNOUNCEMENT REPORTED IN THE BANGKOK POST THAT SHELL WAS GOING AHEAD WITH PLANS FOR CONSTRUCTION OF A MULTI-MILLION DOLLAR LUBRICANT PLANT.

4. ALTHOUGH WE HAVE HAD NO INDICATION BY ANY INVESTOR OF A DESIRE TO PULL UP STAKES IN THAILAND, FIRESTONE REPRESENTATIVE CLOSELY QUESTIONED A DEPARTMENT OFFICER ON THE ADVISABILITY OF CONTINUING OPERATIONS THERE. WE NOTED WE SAW NO REASON TO REDUCE OPERATIONS UNDER PRESENT CIRCUMSTANCES. OTHER ACTUAL OR POTENTIAL INVESTORS HAVE EXPRESSED RESERVATIONS OVER ANY FUTURE LARGE SCALE COMMITMENTS AND HAVE NOTED THEY ARE ADOPTING A "WAIT AND SEE" ATTITUDE.

5. IN ESSENCE, THE ABOVE INDICATES A SERIOUS DOWNWARD REAPPRAISAL OF THAILAND BY AMERICAN BUSINESS AND CORPORATIONS. WHILE WE REALIZE A SIZEABLE PORTION STEMS FROM A NEGATIVE REACTION TO EVENTS IN VIETNAM AND CAMBODIA WHICH, PROVIDED THE SITUATION IN SEA STABILIZES TO SOME DEGREE, SHOULD DECLINE OVER TIME, THE THAI INVESTMENT CLIMATE PER SE DOES NOT LOOK OVERLY PROMISING AS VIEWED
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FROM THE WASHINGTON PERSPECTIVE. CONTINUING LABOR UNREST, AN APPARENT LACK OF COHERENT GOVERNMENTAL INDUSTRIAL POLICY, AND THE UNCERTAIN FUTURE POLITICAL ORIENTATION OF THAILAND APPEAR AS IMPORTANT AS EXTERNAL EVENTS IN EVALUATING THE FUTURE INVESTMENT PICTURE.

6. THAI LEADERS HAVE CONTINUED TO INDICATE A DESIRE TO SHIFT THE EMPHASIS OF US-THAI RELATIONS TO AN ECONOMIC-

COMMERCIAL ORIENTATION. HOWEVER, RECENT THAI ACTIONS AND STATEMENTS HAVE NOT CONTRIBUTED TO THIS. INQUIRIES AND EXPRESSIONS OF SKEPTICISM ON THE FUTURE OF THAILAND BY BUSINESS CIRCLES ROSE IN DIRECT PROPORTION AS AGITATION AND DEMONSTRATIONS AGAINST THE EMBASSY AND THE UNITED STATES INCREASED DURING THE MAYAGUEZ AFFAIR. OTHER IRRESPONSIBLE STATEMENTS BY LEADING THAI OFFICIALS DO NOT HELP. MOREOVER, THE COMPLETELY NEGATIVE POSITION ADOPTED BY THE RTG IN THE COTTON CONTRACT CONTROVERSY -- IN GLARING CONTRAST TO OTHER EA DELINQUENTS -- IS NOT

CONDUCIVE TO EXPANDED COMMERCIAL RELATIONSHIPS. EMBASSY MIGHT CONSIDER SOME WAY TO GET THESE POINTS ACROSS TO THE THAI WHEN THEY BRING UP THE QUESTION OF ESTABLISHING OUR RELATIONS ON A "NEW" BASIS.

7. ACTION REQUESTED: IN LIGHT OF THE ABOVE, WASHINGTON AGENCIES WOULD APPRECIATE A "COLD BLOODED, REALISTIC ASSESSMENT" OF THAILAND'S FUTURE INVESTMENT AND COMMERCIAL POTENTIAL AND OUTLOOK. IN ADDITION TO OUR OWN REQUIREMENT TO BE RESPONSIVE TO BUSINESS INQUIRIES, SUCH AN EVALUATION WOULD BE USEFUL IN POLICY REVIEWS NOW UNDER WAY. IN ADDITION, A SUPPLEMENTAL UNCLASSIFIED APPRAISAL WHICH MIGHT BE INSERTED IN "COMMERCE TODAY" COULD BE AN IMPORTANT ADJUNCT TO OUR DISCUSSIONS WITH THE BUSINESS COMMUNITY. INGERSOLL

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